

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

UNSTARRED QUESTION NO:1930
ANSWERED ON:26.07.2002
FOREIGN EXCHANGE RESERVES .
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Will the Minister of FINANCE be pleased to state:

- (a) the total foreign exchange reserves as on June 30, 2002;
- (b) the break-up of such foreign exchange reserves giving data on the bank deposits held in foreign exchange by NRIs, etc;
- (c) whether the Government have any plans to reduce interest on foreign exchange bank deposits;
- (d) if not, the reasons therefor;
- (e) the contribution of the various sectors of economy towards the foreign exchange reserves;
- (f) whether the RBI has suggested a lower figure of foreign exchange reserves than the present figure;
- (g) if so, the reasons therefor; and
- (h) the target fixed for 2002-2003?

Answer

MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI ANANT G. GEETE)

(a)& (b) India's foreign exchange reserves at the end of June, 2002 amounted to US \$58.04 billion and consisted of foreign currency assets of US \$54.70 billion, gold of US \$3.33 billion and SDR 10 million. The foreign exchange reserves with the Reserve Bank of India, which have been accumulated over the years, represent the net outcome of India's international transactions on both the current and capital accounts of balance of payments. Therefore, it is not possible to apportion the stock of foreign exchange reserves to any single or group of transactions, including the NRI deposits. The total outstanding NRI deposits with the banks excluding Non-Resident (Non-Repatriable) Rupee Deposits at the end of May 2002 stood at US \$19.18 billion.

(c)&(d) As a sequel to the announcement of the Monetary and Credit Policy for the year 2002-03, on April 29, 2002, interest rate on Foreign Currency Non-Resident(Banks) [FCNR(B)] deposits have been reduced by 25 basis points from LIBOR/SWAP rates for corresponding maturity.

(e),(f),(g)&(h) The policy of foreign exchange reserves management is judiciously built upon a host of identifiable factors and other contingencies. These factors, inter alia, include: the size of the current account deficit; the size of short-term liabilities; the possible variability in portfolio investment and other types of capital flows; the unanticipated pressures on balance of payments arising out of external shocks and movements in the repatriable foreign currency deposits of Non-resident Indians. The Government and the Reserve Bank of India continue to ensure that, the quantum of reserves in the long run is consistent with the growth of the economy, the size of the risk-adjusted capital flows and national security requirements.